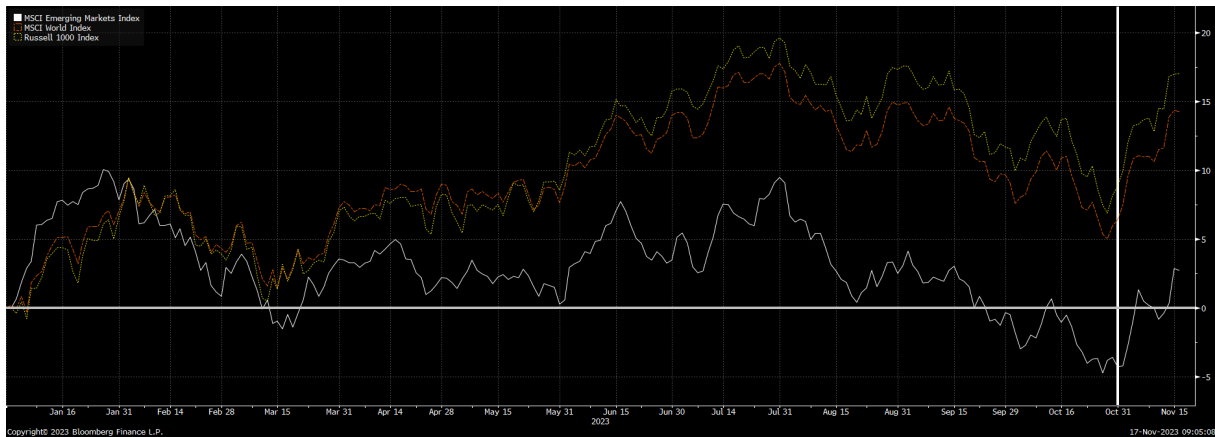


Weekly Blog

November 21st, 2023



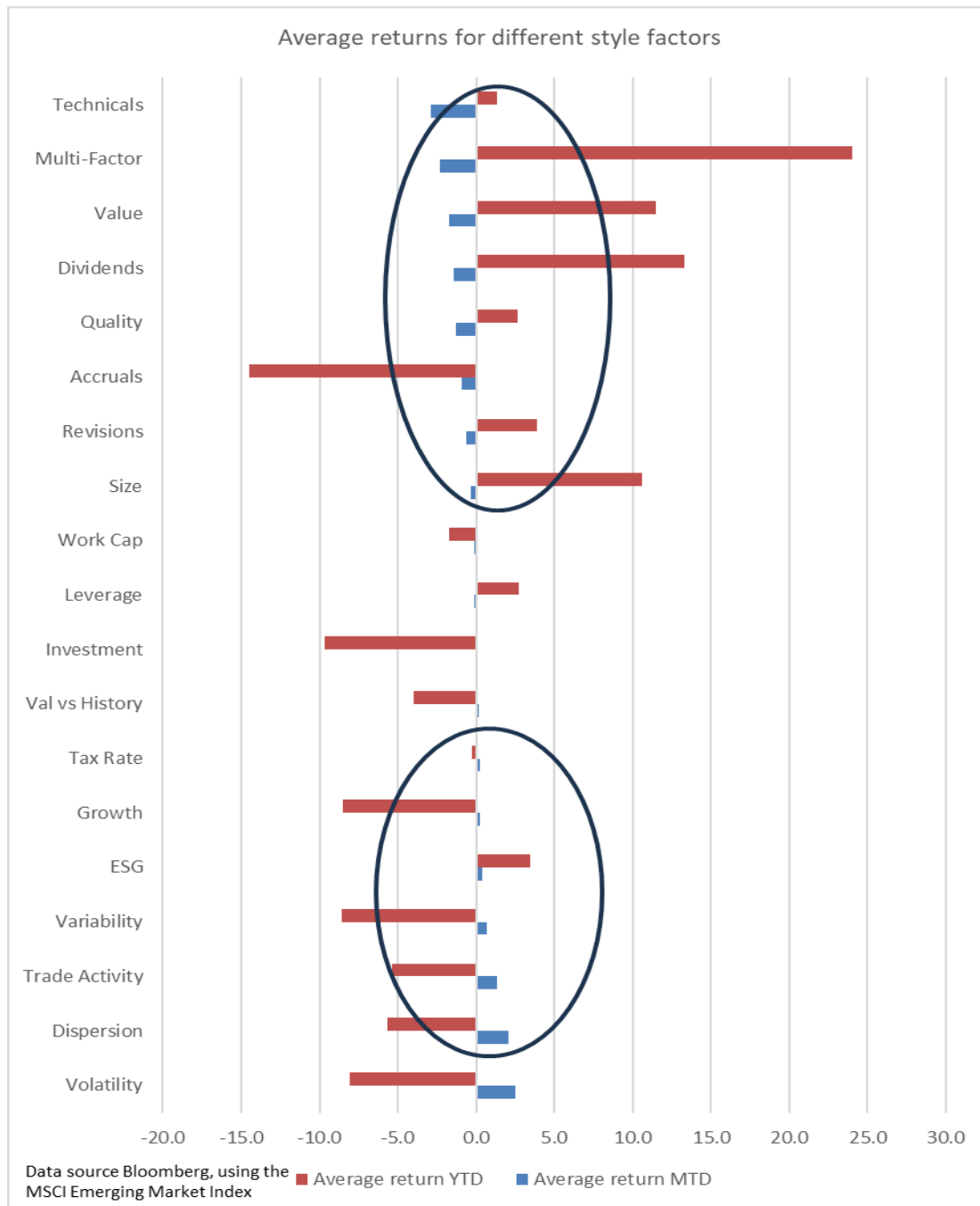
Source: Bloomberg

The end of October brought a reversal in performance in the US, global and emerging markets. However, a review of the drivers of this reversal shows it is very different in developed vs emerging markets.

Using quintile portfolios of stocks, going long the top exposure stocks to an attribute and short the bottom exposure stocks to the same attribute, we can calculate returns to that attribute. Using Bloomberg's "Factors That Work" (FTW) function, we can look at the performance of different attributes. These attributes, such as earnings to price and sales to price, can be categorized as Value type/style attributes, whereas sales growth, asset growth etc. can be categorized as Growth attributes. The database contains over 200 attributes that can be categorized into over 20 "Styles".

The next graph shows average style returns YTD and MTD as of November 14th, 2023. Out of the 24 style factors, 17 had turned positive from negative and vice versa. For example, Volatility went from a return of -8.1% YTD to the end of October to a return of 2.5% from the end of October to November 14th. Other significant changes that went from negative YTD returns to positive include Growth and Size (smaller caps did better in November). Some factors that went from positive to negative include Value and Technicals. The correlation of the moves is -0.53, indicating a high degree of change in sign.

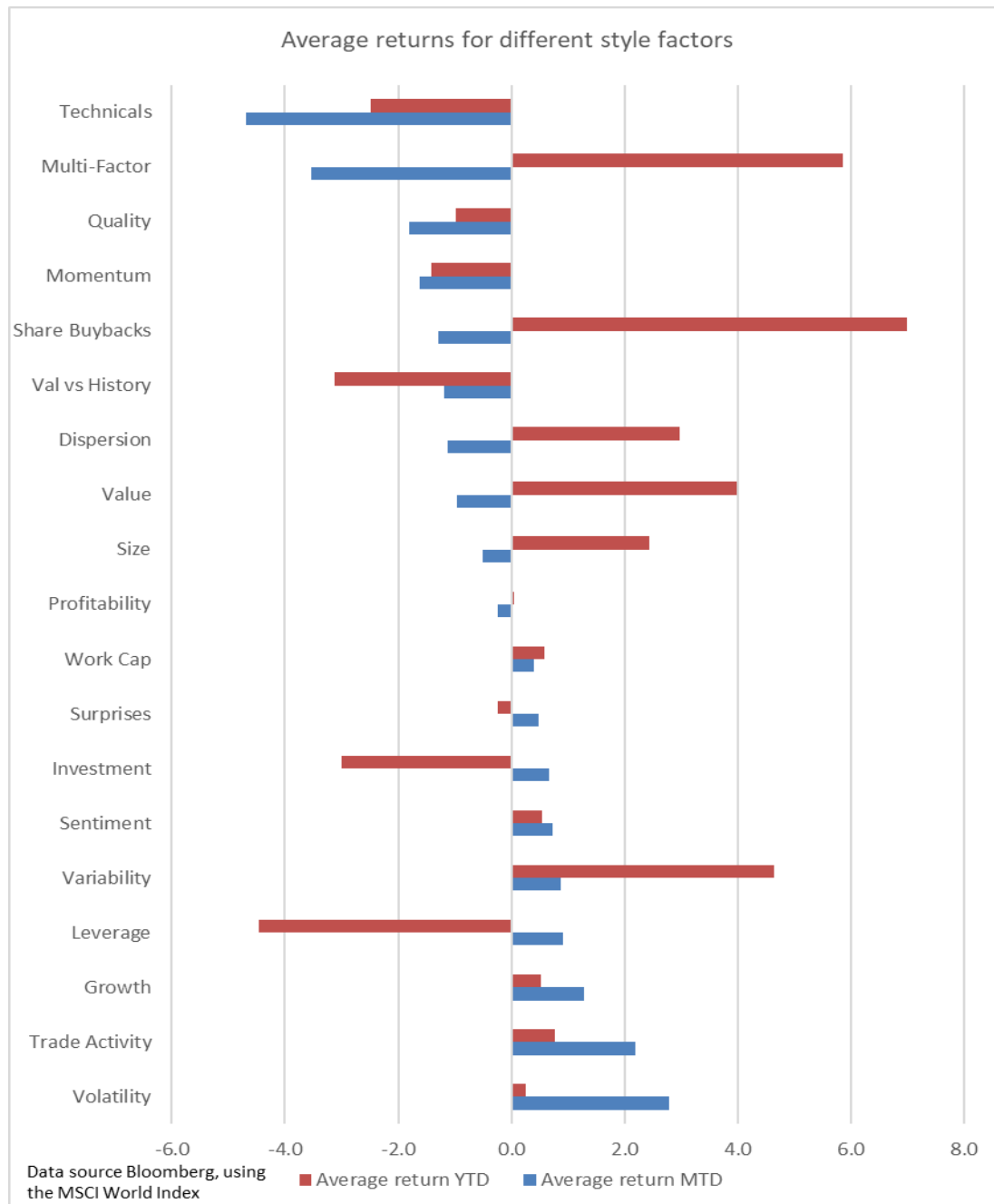
MSCI Emerging Markets Index - Returns as of November 14th, 2023



Source: Bloomberg

The next two graphs show the same data for the MSCI World Index and the Russell 1000 in the US. For the developed markets proxied by the MSCI World Index, there are 11 changes in sign with an average correlation of -0.11, indicating a lower degree of changes in sign than in emerging markets.

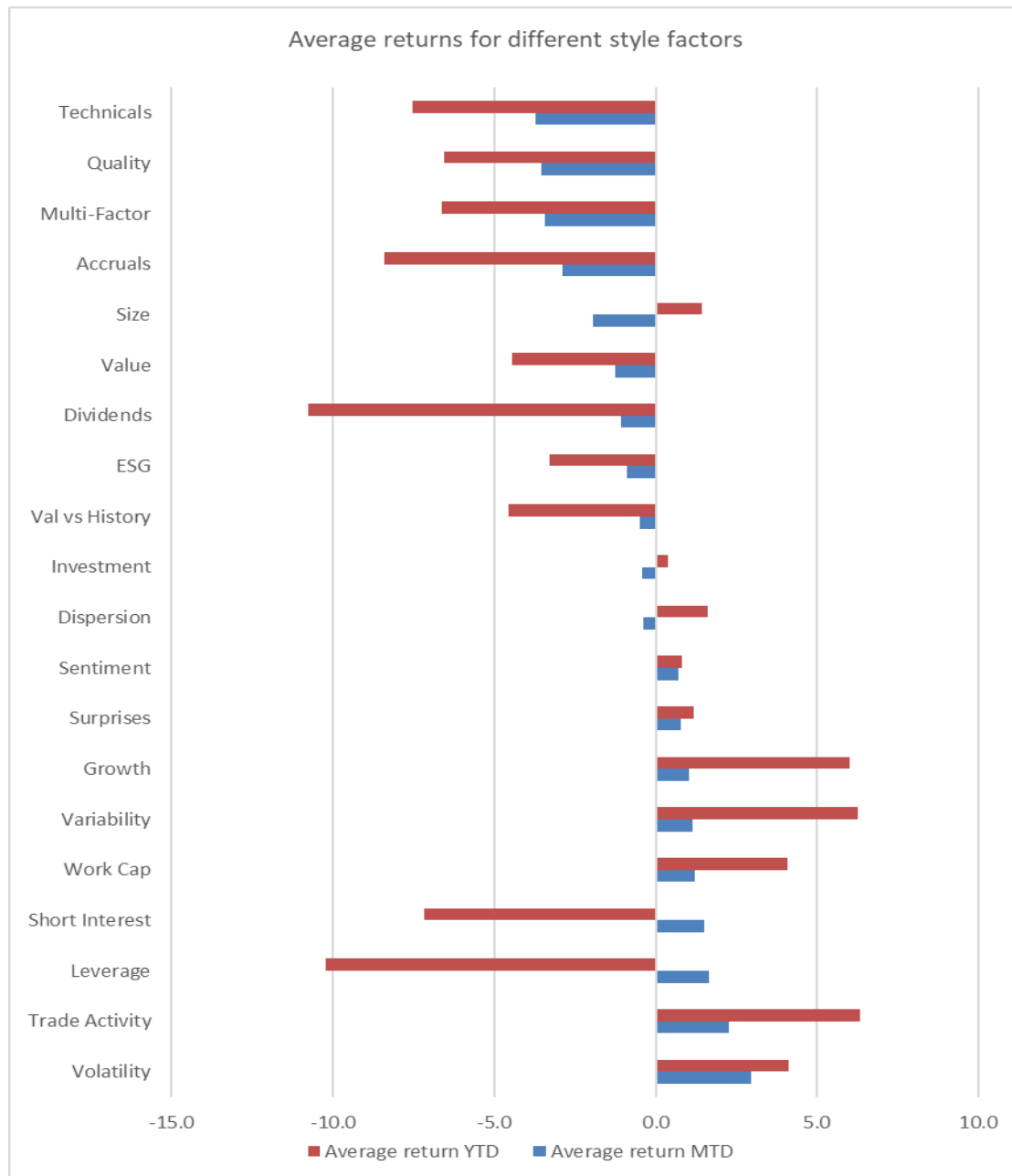
MSCI World Index - Returns as of November 14th, 2023



Source: Bloomberg

In the US, there are only 5 changes in sign with an average correlation of 0.56, thereby indicating a high degree in the stability in the sign of the return to the styles. An interesting commonality is that there was a reversal in all 3 markets for the Size factor (smaller cap stocks outperformed larger ones).

Russell 1000 Index - Returns as of November 14th, 2023



Source: Bloomberg

Geopolitics have been difficult to predict, but despite this, the reversal was significant. Is this the inflection point that many are expecting in emerging markets?

Best regards,

Mount Murray Investment